



**MAY 18, 2026**

KUVEYT TÜRK ASSET MANAGEMENT  
**PRIVATE BANKING**  
WEEKLY ECONOMIC BULLETIN



**KUVEYTTÜRK**



**PRIVATE BANKING**

## SEARCH FOR A NEW MARKET BALANCE AMID INFLATION CONCERNS



In the United States, consumer inflation was announced at 3.8 percent year-on-year in April, reaching its highest level since July 2023. Rising fuel prices driven by the war were a major factor behind the slightly higher-than-expected inflation figure. Toward the end of the week, growing inflation concerns pushed 10-year Treasury yields above 4.5 percent, while also bringing selling pressure to equity markets. Money markets are currently pricing in that the FED will keep interest rates unchanged until the end of the year, while expectations for a rate hike continue to strengthen week by week. As FED Chairman Powell's term comes to an end, markets are counting down to Warsh becoming the new chairman. In this process, attention has turned to Warsh's upcoming statements and the policies he may adopt.

Domestically, in the Inflation Report released in Türkiye, the Central Bank raised its year-end 2026 inflation interim target from 16 percent to 24 percent. The year-end inflation forecast was announced as 26 percent. The upward revisions in inflation targets and forecasts were mainly driven by rising energy and food prices resulting from increasing geopolitical uncertainties. During the meeting, it was emphasized that upside risks to inflation have gained weight and that monetary policy would remain tighter for a longer period compared to the pre-war era. Despite the deterioration in the current account outlook due to rising energy prices, expectations were also shared that the current account deficit would remain below historical averages and at manageable levels. As geopolitical tensions escalate, the expected decline in external demand has led to a downward revision in the output gap projection, signaling that the slowdown in economic activity is likely to continue.

## GLOBAL

**In the US, consumer prices rose by 0.6 percent month-on-month and 3.8 percent year-on-year in April, pointing to the highest annual inflation level since 2023.** Core inflation also came in above expectations, rising by 0.4 percent on a monthly basis and 2.8 percent on an annual basis, indicating that price pressures have spread beyond energy-related components. In addition to higher gasoline prices, increases in categories such as food and airline tickets showed that cost pressures stemming from the Iran war continue to affect US inflation. The data suggested that elevated energy and transportation costs may continue to weigh on consumer spending and pricing behavior in the coming period.

**In the US, retail sales rose by 0.5 percent month-on-month in April, in line with expectations, but pointed to a marked slowdown compared with the 1.6 percent increase recorded in March.** Sales excluding automobiles increased by 0.7 percent, while revenues at gasoline stations rose by 2.8 percent as gasoline prices climbed to their highest levels since 2022 following the Iran war. By contrast, the decline in motor vehicle sales and the pressure of higher fuel costs on other spending categories pointed to a more cautious consumer demand outlook. Meanwhile, the increase of 12 thousand in weekly jobless claims to 211 thousand signaled a limited slowdown in the labor market.

**The Fed's 2025 report on the economic well-being of US households showed that price increases remain the most common financial concern among Americans, while worries about finding a job and keeping an existing job have increased compared with last year.** According to the report, 73 percent of adults said they were financially doing okay, with this ratio unchanged from 2024 but still below the 78 percent peak recorded in 2021. The share of respondents who said they could cover an unexpected 400 dollar expense with cash or similar resources remained unchanged at 63 percent. The data showed that although the labor market is still relatively strong, price pressures and employment-related concerns continue to create a cautious mood among US households.

**The Euro Area economy grew by 0.1 percent quarter-on-quarter and 0.8 percent year-on-year in the first quarter of 2026, in line with market expectations.** Employment also increased by 0.1 percent over the same period, indicating that the region's economy continues to recover, albeit weakly. Across the EU as a whole, growth came in at 0.2 percent quarter-on-quarter and 1.0 percent year-on-year, with Spain and Germany standing out among the countries making positive contributions. The data suggested that growth in the Euro Area remains limited but continues along a path away from recession.

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**In Germany, annual inflation rose from 2.7 percent to 2.9 percent in April, remaining above the European Central Bank's 2.0 percent target and recording its sharpest increase since January 2024.** The acceleration in energy prices was the main driver of this increase, with energy inflation rising from 7.2 percent in March to 10.1 percent in April, while fuel prices increased by 26.2 percent and heating fuel prices by 55.1 percent. By contrast, core inflation came in at 2.3 percent, while food price inflation remained more limited at 1.2 percent. The data showed that tensions in the Middle East are increasing price pressures in Germany through higher energy costs and that companies may pass more of these costs on to final prices in the coming period.

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## DOMESTIC

**In its first Inflation Report after the war, the CBRT raised its 2026 year-end inflation forecast from 18 percent to 26 percent and its interim target from 16 percent to 24 percent.** By also lifting its average oil price assumption for 2026 from 60.9 dollar to 89.4 dollar and its food inflation assumption from 19 percent to 26.3 percent, the bank pointed to increasingly pronounced energy- and food-driven pressures. Governor Fatih Karahan said that the war in the Middle East had worsened the inflation outlook particularly through energy and transportation prices, although they still expected the disinflation process to continue during the remainder of the year. The CBRT also stressed that it had kept the policy rate unchanged in March and April, would maintain its tight monetary policy stance, and had all options on the table if needed.

**Türkiye's economy posted a current account deficit of 9.7 billion dollar in March, in line with market expectations and above the 7.5 billion dollar deficit recorded in February.** As of March, the 12-month current account deficit rose from 35 billion dollar to 39.7 billion dollar, while the current account balance excluding gold and energy posted a deficit of 3.9 billion dollar. Net inflows of 2.6 billion dollar from the services balance provided limited support to the current account, with transportation and travel revenues standing out within this category. On the financing side, net portfolio investments and effective-currency-and-deposit items had a negative impact, while the 52.5 billion dollar decline in the Central Bank's net reserves and the 7 billion dollar outflow in net errors and omissions pointed to ongoing fragility in the external balance outlook.

**Trade sales volume increased by 1.9 percent month-on-month and 1.7 percent year-on-year in March.** Over the same period, retail sales volume rose by 2.6 percent on a monthly basis and by 21.2 percent on an annual basis, indicating that strong domestic demand continued. By contrast, the annual sales volume of motor vehicles and motorcycles trade and repair fell by 10.3 percent, while wholesale trade sales volume declined by 3.5 percent. The data showed that although total trade activity posted a limited increase in March, growth was driven mainly by retail sales.

**The May Survey of Market Participants showed that the deterioration in inflation expectations continued, with the 12-month ahead CPI expectation rising from 23.39 percent to 23.82 percent and the year-end inflation expectation climbing from 27.53 percent to 28.94 percent.** While the policy rate expectation for the June MPC meeting remained unchanged at 37.0 percent, the year-end dollar/TL forecast rose from 51.23 to 51.57 and the 12-month ahead exchange rate forecast increased from 53.62 to 54.69. By contrast, the 2026 growth expectation was revised down from 3.5 percent to 3.3 percent, while the 2027 growth expectation remained unchanged at 4.1 percent. The survey results indicated that the market foresees a more cautious outlook for inflation and the exchange rate, and a weaker outlook for growth.

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**The central government budget deficit rose to 338.7 billion TL in April, while budget revenues came in at 1 trillion 186.2 billion TL and budget expenditures at 1 trillion 524.9 billion TL.** Over the same period, the primary deficit stood at 81.1 billion TL, while tax revenues increased by 28.5 percent year-on-year to 1 trillion 12.2 billion TL. The 34.7 percent year-on-year increase in budget expenditures and the 45.4 percent rise in non-interest expenditures indicated that public spending remained strong. The increase in the budget deficit to 758.8 billion TL in the January-April period showed that the deterioration in fiscal balances continued during the first four months of the year.

## WEEKLY STATUS

	08.05.2026	15.05.2026	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050*	18.076	17.761	-1,7%	43,3%	31,9%	23,2%	32,6%
XU100*	15.063	14.368	-4,6%	27,6%	14,6%	31,6%	35,6%
USDTRY	45,4	45,5	0,3%	5,9%	21,4%	20,1%	57,5%
DXY*	97,9	99,3	1,4%	1,0%	-9,4%	7,1%	-2,1%
US-10Y*	4,4	4,6	5,3%	10,6%	-9,3%	18,0%	0,0%
TR-10Y*	31,2	32,4	3,9%	19,4%	-5,6%	7,6%	169,4%
TR-2Y*	37,9	39,1	3,3%	14,0%	-15,4%	2,2%	298,0%
CDS (5Y)	226,9	233,5	2,9%	14,0%	-21,1%	-6,6%	-45,2%
GOLD (OUNCE/USD)	4.714,9	4.540,1	-3,7%	5,2%	64,5%	27,2%	13,1%
GOLD (GRAM/TRY)	6.877,7	6.650,8	-3,3%	11,7%	99,4%	52,1%	78,9%
SILVER (GRAM/TRY)	117,2	111,3	-5,1%	13,5%	198,3%	45,3%	57,1%

\***XK050**: BIST Participation 50 Index

\***Bist100**: BIST 100 Index

\***DXY**: Dollar Index

\***US-10Y**: US 10-Year Treasury Yield

\***TR-10Y**: TR 10-Year Treasury Yield

\***TR-2Y**: TR 2-Year Treasury Yield

## LEADING INDICATORS

Indicator	Period	Data	Previous Data	Benchmark Value
Industrial Production	March	-1,1%	2,2%	
Manufacturing PMI	April	45,7	47,9	50
Capacity Utilization Rate (seasonally adj.)	April	74,0%	74,0%	
Import - (capital goods) (annually)	March	0,078	15,8%	
Service sector confidence (seasonally adj.)	March	11,2%	4,7%	
Import - (consumption goods) (annually)	March	-5,3%	-2,2%	
Credit Growth Weekly	May (Week 2)	0,3%	1,0%	
Consumer Confidence Index	April	85,5	85,0	100
Real sector confidence (seasonally adj.)	April	98,6	100,0	100
Service sector confidence (seasonally adj.)	April	109,7	113,2	100
Retail sector confidence (seasonally adj.)	April	111,6	113,6	100
Construction sector confidence (seasonally adj.)	April	83,6	80,6	100
Car Sales (annually)	March	-6,1%	12,7%	
House sales - total (annually)	April	2,6%	-2,1%	
House sales - mortgage (annually)	April	40,5%	35,9%	
CPI	April	32,4%	30,9%	
CPI expectations (year-end)	May	28,9%	27,5%	
Current Year Growth Expectations	May	3,3%	3,5%	
Retail Sales Volume (annually)	March	21,2%	15,6%	
Current Account Balance (billion USD)	March	-9,7	-7,5	
Unemployment Rate (seasonally adj.)	March	8,1%	8,4%	
Dollarization	May (Week 2)	2,4 Billion (-)	0,6 Billion (-)	

New

New

New

New

New

New

New

New

Indicates Decrease

Indicates Stability

Indicates Increase

It has been prepared by Kuveyt Türk Asset Management by taking data from reliable sources.

## ECONOMIC CALENDAR

Date	Country	Data to be Announced
18.05.2026	China	Unemployment Rate
18.05.2026	China	Retail Sales
18.05.2026	Turkey	Consumer Confidence
19.05.2026	Japan	Industrial Production
19.05.2026	Euro Zone	Trade Balance
20.05.2026	Euro Zone	CPI
21.05.2026	Japan	Trade Balance
21.05.2026	Euro Zone	Preliminary Manufacturing PMI
21.05.2026	US	Philadelphia Fed Employment
21.05.2026	US	Preliminary Manufacturing PMI
22.05.2026	Japan	National CPI
22.05.2026	Turkey	Capacity Utilization Rate
22.05.2026	Turkey	Manufacturing Confidence
22.05.2026	Turkey	Trade Balance
22.05.2026	Germany	GDP
22.05.2026	Turkey	CBRT Financial Stability Report

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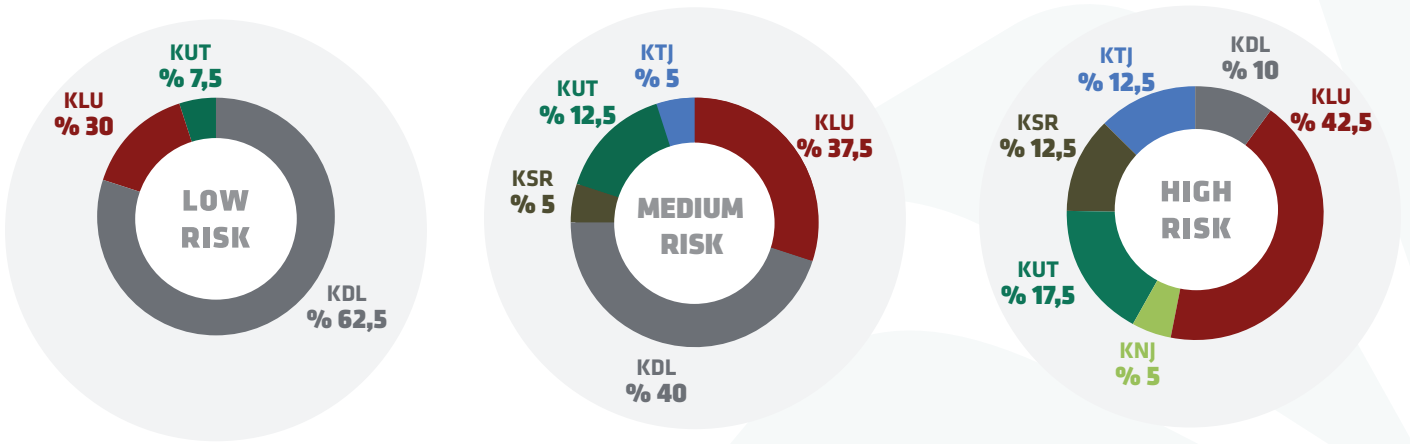
## Our Fund Allocation Recommendations

We make our fund recommendations based on our investors' base currencies. The base currency is the currency in which investors track their savings. An investor who tracks USD as their base currency prefers their investments to grow in U.S. dollars rather than in Turkish Lira. Conversely, an investor who looks at their investments in TL aims for an increase in their savings in Turkish Lira.

Below are our General Investment Recommendations based on base currencies.

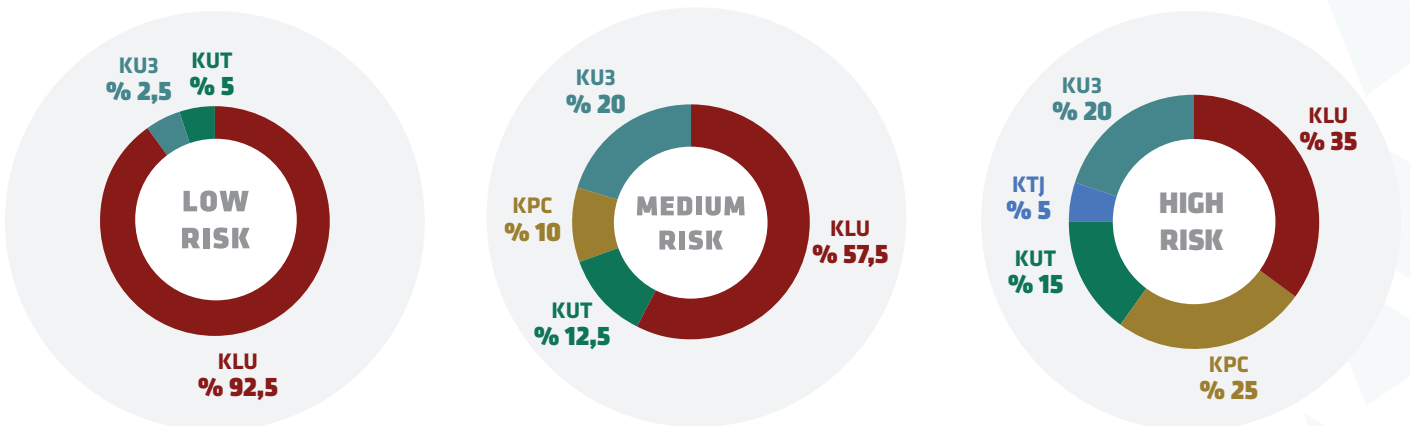
### General Investment Recommendations for Those with USD as Their Base Currency

Figure 1. Fund Allocation Recommendations (For Those with USD as Their Base Currency)



### General Investment Recommendations for Those with Turkish Lira as Their Base Currency

Figure 2. Fund Allocation Recommendations (For Those with Turkish Lira as Their Base Currency)



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## Information Regarding Funds:

**KLU Fund:** Kuveyt Türk Asset Management Money Market Participation Fund

**KUT Fund:** Kuveyt Türk Asset Management Precious Metals Participation Fund

**KPC Fund:** Kuveyt Türk Asset Management Equity Participation Fund

**KDL Fund:** Kuveyt Türk Asset Management Fifth Participation Hedge (Currency) Fund

**KSR\* Fund:** Kuveyt Türk Asset Management Sustainability Participation Fund

**KNJ\* Fund:** Kuveyt Türk Asset Management Energy Participation Fund

**KTJ\* Fund:** Kuveyt Türk Asset Management Technology Participation Fund

*\* These funds may hold up to 80% foreign equities.*

**KU3\*\* Fund:** Kuveyt Türk Asset Management Third Participation Fund

*\*\* These funds may hold up to 80% foreign equities.*

## Explanations of Risk Levels:

**Relatively Low Risk:** Refers to investors who are not keen on experiencing losses to their principal and have limited knowledge and experience regarding investment products.

**Medium Risk:** Refers to investors who are willing to accept some level of loss to their principal and have some knowledge and experience regarding investment products.

**High Risk:** Refers to investors who are willing to take on high risk for the potential of high returns, accepting the possibility of significant losses to their principal and possessing substantial knowledge and experience regarding investment products.

## Disclaimer Notification:

Warning Note Published in Accordance with the Capital Markets Board's "Regulation on Principles Related to Investment Services and Activities and Ancillary Services":

The information, comments, and recommendations regarding **the investment products presented here do not constitute investment advisory services**. Investment advisory services are provided by authorized institutions tailored to individuals based on their risk and return preferences. The comments and recommendations offered here are general and may not be appropriate for your specific financial situation or risk-return profile. Therefore, making investment decisions solely based on this information may not yield results that meet your expectations. By confirming your understanding and acceptance of this information, you may proceed with your transactions.

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